



# CITY OF ST. LOUIS

**DEPARTMENT OF PUBLIC UTILITIES**

**COMMUNICATIONS DIVISION**

**FIXED ASSET REVIEW**

**PROJECT #2016-FA03**

**DATE ISSUED: NOVEMBER 18, 2015**

**Prepared by:  
Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**



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CITY OF ST. LOUIS



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November 18, 2015

Donna Brooks, Communications Commissioner  
Department of Public Utilities  
Communications Division  
4971 Oakland Avenue  
St. Louis, MO 63110-1401

RE: Fixed Asset Review –Communications Division (Project #2016-FA03)

Dear Ms. Brooks:

The Internal Audit Section has completed a fixed asset review of the Communications Division. Enclosed is the report. A description of the scope of our work is included in the report. Fieldwork was completed on October 7, 2015.

This review was made under authorization contained in Article XV, Section 2, of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Mohammad H Adil, CPA, CGMA  
Internal Audit Supervisor



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**SUMMARY**

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**Background**

The Communications Division (the Division) is home to the local government access channel and handles licensing of networks built by private businesses and commercial institutions. The Division also processes permits for telecommunications construction and monitors compliance matters. The Division is responsible for managing its fixed assets and property control items by following the City Fixed Asset Management System (FAMS) Policy and Procedures.

**Purpose**

The purpose of our review was to determine if risks related to fixed assets were effectively and efficiently managed to ensure:

- Compliance with applicable policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of Fixed Assets Property Listing (FAPL) reports.
- Economic and efficient use of resources.

**Scope and Methodology**

The review was confined to evaluating the Division's internal controls over the management of the fixed asset and property control items. The review procedures included:

- Inquiries of management and staff.
- Reviews for compliance with policies and procedures.
- Limited tests of related controls.
- Other procedures considered necessary.

**Conclusion**

The opportunity exists for the Division to improve internal controls over the management of fixed assets.

**Summary of Current Observations**

We noted the following observations and opportunities for improvement:

1. Verification of Fixed Assets and Property Control Items
2. Fixed Assets Reclassification
3. Annual Physical Inventory Not Performed

These observations are discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**Management Response**

The Division declined an exit conference. However, the Division provided written responses to the observations noted in the report on November 9, 2015, which have been incorporated into the report.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS**

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**1. Verification of Fixed Assets and Property Control Items**

We selected thirty-two (32) fixed assets and property control items from the Division's Fixed Asset Property Listing (FAPL) reports, dated June 30, 2015, to verify their existence and noted the following exceptions:

- We could not verify eleven (11) fixed assets and property control items because their serial numbers were not listed on the FAPL reports even though several potential matching items were observed within the Division.
- We could not locate three (3) property control items.
- Twelve (12) fixed assets and property control items were retired but not reported to FAMS. These fixed assets and property control items were still present within the Division

We noted that the Division used information provided on payment vouchers to report additions of fixed assets or property control items to FAMS. A voucher may not provide all the relevant information, such as the description and serial number of an item, necessary to update the FAPL reports properly. The related invoice, manual or the item itself may be a better source to find all of the relevant information.

**Recommendation**

Internal Audit recommends that the Division:

- Identify all fixed assets and property control items on the FAPL reports with the missing serial numbers and provide them to FAMS.
- Complete and submit proper FAMS form to report all retirements and arrange for the properly authorized disposition of the retired item still present at the Division.
- Conduct an annual physical inventory of its fixed assets and property control items to ensure the inventory agrees to the FAPL reports (see observation 3).

**Management Response**

*The Communications Division accepts the recommendations provided in the audit. A physical inventory of all fixed and property control items will be resumed and conducted on annual calendar. All equipment without an identifying number will be assigned a number and updates to the FAMS to add, delete or correct items will be on-going. Regular review of the FAMS report will be implemented to ensure its accuracy.*

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**2. Fixed Assets Reclassification**

We noted that three (3) vehicles were listed on the Division's FAPL report, dated June 30, 2015, as property control items, with a cost of one dollar each. Further investigation revealed that:

- One vehicle, GMC Jimmy, VIN #1GKDT13W112139255, was listed twice on the FAPL report, once in November 2007 and again in December 2008.
- The other vehicle, Chevrolet Astro, VIN# 1GNDMM19W41B132176, was acquired in November 2008.

Per City Policy, a fixed asset is a piece of property which is tangible, has a useful life exceeding one year and costs at least \$1,000. A property control item is a fixed asset which costs less than \$1,000 and is not depreciated.

**Recommendation**

Internal Audit recommends that the Division fill out the proper FAMS forms to:

- Delete the vehicle listed twice on the FAPL.
- Reclassify the remaining two vehicles with their historical costs and year-to-date and accumulated depreciations.

**Management Response**

*The Communications Division accepts the recommendations provided in the audit.*

**3. Annual Physical Inventory Not Performed**

A physical inventory count of the fixed assets and property control items was last performed in 2013. According to the Division, the previous FAMS Coordinator retired, and the position was not filled until recently. Therefore, a physical inventory count was not performed during this period.

A physical inventory count is an important tool for the Division to account for all of its fixed assets and property control items and to investigate and resolve any variances between the count and the FAMS reports.

**Recommendation**

Internal Audit recommends that the Division:

- Conduct and document a physical inventory count of its fixed assets and property control items annually.
- Compare the results of the physical inventory count to the fixed assets and property control items reported on the FAPL reports.

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- Investigate and resolve any variances between the physical count and the FAMS reports by preparing proper FAMS forms and submitting them to the Comptroller's FAMS Coordinator.
- Ensure all future additions and deletions of fixed assets and property control items are reported to the Comptroller's FAMS Coordinator in a timely manner.

***Management Response***

*The Communications Division accepts the recommendations provided in the audit. A physical inventory of all fixed and controlled equipment will be resumed and conducted on annual calendar. All equipment without an identifying number will be assigned a number and updates to the FAMS to add, delete or correct items will be on-going. Regular review of the FAMS reports will be implemented to ensure their accuracy.*